Semi-Annual Report
of ALTEO Nyrt. and its Subsidiaries
for H1 2020

Disclosure: August 31, 2020

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ALTEO Group's Semi-Annual Report for H1 2020

Introduction

Pursuant to Act CXX of 2001 on the Capital Market, the Regulation of the Budapest Stock Exchange Ltd. on Regulations on Listing and Continued Trading (hereinafter: "**Regulation**"), Decree No. 24/2008 (VIII.15.) of the Minister of Finance (hereinafter: "**MF Decree**"), ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság (hereinafter: "**Company**" or "**ALTEO**") has prepared and **hereby discloses *"The Management Report and Analysis" on the consolidated semi-annual profit and the consolidated Semi-Annual Interim Financial Statements for H1 2020*** (hereinafter collectively: "**Semi-Annual Report**"; the Company and the consolidated entities specified in section 2.2 to this Report hereinafter: "**Subsidiaries**"; the Subsidiaries and the Company hereinafter collectively: "**Group**" or "**ALTEO Group**").

The consolidated Semi-Annual Report of the Company has been prepared based on Annex 2 to the MF Decree, according to the requirements set forth in Act C of 2000 on Accounting, in accordance with the International Financial Reporting Standards published in the Official Journal of the European Union.

The data contained in the consolidated Semi-Annual Report of the Company for H1 2020 were not audited by an independent auditor.

Semi-Annual Report of ALTEO Nyrt. and its Subsidiaries for H1 2020

Disclaimer: All information contained within this document is for information purposes only, and shall not be considered an official translation of the official communication referred to herein. This document does not include the integral wording of the official communication referred to herein, the original Hungarian language version of it remains to be the solely legally binding material in the subject matter. For further information, please do not hesitate to contact us.

1 The Management's report and analysis for H1 2020

1.1 Executive summary on events in the period with significant results

In line with the 2020-2024 strategy presented in the fall of 2019, we progressed in the implementation of the planned investment programs, the uncovering of potential investment and capital expenditure opportunities, restructuring serving as basis for other points of the strategy, as well as the implementation of required processes.

In this context, the expansion of the capacity of the ALTEO Control Center has begun, and in the first phase of a more than HUF 2 billion investment program, gas engines with an additional total capacity of 9 MW were put into operation at the beginning of May at ALTEO's Tiszaújváros and Győr sites. In the next stage of the development, an additional 3 gas engines with a further total electrical capacity of 9 MW will be installed, resulting in a 33% expansion in ALTEO's gas engine energy production capacities by the end of the program and transforming the control center into one of the largest in the country.

In the context of the investment program, the reconstruction of the more than 100-year-old Gibárt Hydropower Plant is ongoing, and is expected to be completed in H2 2020, thereby expanding ALTEO Group's portfolio of power plants involved in subsidized energy production.

In H1 2020, both the Group's revenue and net after-tax profit increased significantly. **The 33% increase in sales revenue was accompanied by a 120% rise in after-tax profit.** The growth achieved not only reflects the success in investment and acquisition activities, but – disregarding the impact of COVID-19 – **also an outstanding performance of the existing portfolio**.

The increase of the Group's profit is primarily the result of the growth observed in the **Energy production** segments, which, in turn, is the result of both the investment program and the optimal utilization of existing capacities.

Thanks to robust cost-control, the **Energy services** segment performed in line with expectations despite the external construction works delayed as a result of COVID-19.

1.1.1 Management summary of key operating results

The following section presents the analysis of the comparative data of ALTEO Group for H1 2020 and H1 2019. When comparing the Group's H1 profit with the previous period's data, the acquisitions during 2019 must be taken into account, along with the profit-generation capacity of the investments put into operation.

Consolidated profit and loss statement

data in HUF million	H1 2020 non-audited	H1 2019 Comparison, non-audited	Change HUF million over previous year	Change % over previous year
Sales revenues	**16 164**	**12 116**	**4 048**	***33%***
Material expenses	(10 937)	(8 407)	(2 530)	*30%*
Personnel expenses	(1 557)	(1 291)	(266)	*21%*
Depreciation and amortization	(1 303)	(908)	(395)	*44%*
Other revenues, expenditures, net	(532)	(296)	(236)	*80%*
Impairment loss	-	(80)	80	*(100%)*
Operating profit or loss	**1 834**	**1 134**	**700**	***62%***
Net financial profit	(312)	(361)	49	*(14%)*
Profit or loss before taxes	**1 522**	**773**	**749**	***97%***
Income tax expenditures	(458)	(290)	(168)	*58%*
Of which: local business tax expenditures	(270)	(191)	(78)	*41%*
Net profit or loss	**1 064**	**483**	**581**	***120%***
Of which:				
Attributable to parent company interests	*1 062*	*483*	*579*	*120%*
Attributable to non-controlling interests	2	-	2	N/A
EBITDA*	**3 137**	**2 123**	**1 014**	***48%***
Base EPS (HUF/share)	**57,00**	**28,10**	**28,90**	***103%***
Diluted EPS (HUF/share)	**54,80**	**26,89**	**27,91**	***104%***

**In the opinion of the Company's management, the profit category that can most reliably be used to measure the profitability of the Group is EBITDA (from which financial items, taxes, depreciation, and profit effects recognized in no close relation to the business period – typically impairments – have been removed).*

The Group's **Revenues** increased by **33%** i.e. **HUF 4 billion to HUF 16.2 billion**, as compared to H1 2019. The increase in revenue is the result of several planned investment programs, as per the following:

- Revenues from the **Energy Retail segment and the Heat and Electricity Generation** segment increased significantly, resulting mainly from market acquisition, which was mitigated by the aforementioned COVID-19 effect. The successful performance of heat and electricity cogeneration power plants on the structured electricity market contributed to the segment profits of ALTEO Group. The economic stability of the segments was greatly supported in the reporting period by the profit-generating units of gas engine capacity increasing projects delivered in H1 (a capacity increase of 9 MW at the Tiszaújváros and Győr sites).
- Euro Green Energy Kft. (Bőny wind farm) acquired in H1 2019 was consolidated in H1 2020, and the performance of the wind farm in the comparative period was consolidated as of April 1, 2019.
- The solar power plants delivered in H2 2019 contributed to ALTEO Group's revenue with their performance throughout the whole of H1 2020.

Material expenses increased by 30% compared to the same period last year, still falling short of the 33% increase of sales revenue. As of 2019, the increase of the electricity market share of ALTEO Group was ensured by the Bőny wind farm and the solar power plants implemented as part of new investment projects, which production units typically operate with very low material-type expenses. It is the characteristic of the trade segment that sales revenue increases are accompanied by substantial COGS growth, and the sales revenue rise achieved in the ***structured electricity market*** is not driven by material-type expenses.

The 21% i.e. HUF 0.3 billion increase in **Personnel expenses** is in direct relationship with the Group's expansion, i.e. the rise in staff headcount, with the costs related to development and restructuring also acting as contributing factors.

Depreciation and amortization grew by 44%, that is, by HUF 0.4 billion. Depreciation and amortization increased in relation to the substantial rise in production capacities. The HUF 11.6 billion production capacity expansion in 2019 comprises the following components:

- The HUF 7.8 billion asset portfolio acquired in relation to the **Bőny wind farm** appeared in the Group's depreciation as of April 2019.
- The HUF 3.8 billion Balatonberény and Nagykőrös solar power plants were delivered in June-July 2019, and were depreciated in the whole of H1 2020.

The balance of **Other income and expenses, net** dropped by HUF 0.2 billion as compared to H1 2019. The rise in other expenses in 2020 is caused by the temporary negative effect of the accounting settlement of the closing of positions relating to the CO_2 quota and their subsequent recontracting with considerably more favorable terms.

ALTEO Group closed H1 2020 with an operating profit of HUF 1.8 billion and an EBITDA of HUF 3.1 billion.

The exchange rate fluctuation of the EUR played a dominant role in the HUF 49 million increase of **Net financial income**. In line with revaluation rules, at the end of the current period the Group shows assets and liabilities registered in FX different from the reporting currency at the value calculated with the exchange rate on the reporting date. The H1 2020 revaluation resulted in a profit-type revaluation difference. The aggregate profit of the revaluation of the financial assets, receivables and liabilities of the Group denominated in EUR in H1 2020 compensated for the interest expenditures arising from the increased loan portfolio.

In H1 2020, ALTEO Group realized a profit of HUF 1.5 billion before taxes. ALTEO Group's profit before taxes in H1 2020 exceeded the after-tax profit of the 2019 comparative period by 97%.

Income tax expenses increased in parallel to the Group's profits. Income tax expenses exceeded the expenses of the comparative period by HUF 168 million.

In H1 2020, the **Group's after-tax profit i.e. Net profit was HUF 1 billion**, representing an increase of 120% over the comparative period.

1.1.2 Management summary on comprehensive income

Consolidated overall statement of profit or loss				
data in HUF million	**H1 2020** non-audited	**H1 2019** Comparison, non-audited	**Change HUF million** over previous year	**Change %** over previous year
Net profit	**1 064**	**483**	**581**	***120%***
Other comprehensive profit (after taxes on profits)	**773**	**(1 061)**	**1 834**	***173%***
Overall profit	**1 837**	**(578)**	**2 415**	***418%***
Of which:				
Attributable to parent company interests	1 835	(578)	2 413	*417%*
Attributable to non-controlling interests	2	-	2	*N/A*

The Group recognized the **cumulative effects** (including deferred tax) **of the end-of-period revaluation of open forward transactions** in other comprehensive income. The aggregate profit of the revaluation of transactions as at the reporting date, recognized in the profits for the period, was an **unrealized change of HUF 773 million.** Transactions are recognized, depending on comprehensive income or transaction profit nature, against the balance sheet items of other financial assets or other financial expenses.

The revaluation of the open positions of forward transactions applicable to June 30 had the greatest impact on the change of consolidated **Comprehensive income**. The Group's annual heat sales agreements are concluded at a fixed, officially regulated price level. The Group produces heat energy by using engines and boilers driven by gas available for purchase on the free market on an FX basis. Gas price and FX/HUF exchange rate fluctuations are hedged by the Group. Gas utilization makes it necessary to buy CO_2 quota. The uncertainty arising from the fixed sales price and the fluctuation of variable purchase price is hedged by the Group through forward transactions. With these transactions, the Group – assuming normal market price fluctuations – ensures the pre-indicated hedge by taking contracted price levels into consideration. Keeping to the accounting policy, under Comprehensive income the Group shows the unrealized exchange rate difference of transactions arising due to the contractual system of heat sales agreements. As per the management's intention, forward transactions are opened and closed in harmony with the recognition of heat sales agreements in profits in terms of time and volume at an annual level, and as such the impact of transactions, in line with the management's intention, effectively follows the neutralization of price fluctuations.

The business mechanism of hedges applied by the Group is as follows:

- The Group entered into interest rate swaps on some of its outstanding project loans in line with its risk management policy. With interest rate swaps, the Group aims to manage the interest rate risk on project loans.
- The Group adapts its gas and CO_2 purchases to its sales pricing system; and concluded forward transactions to manage currency price volatilities.
- The Group presents the tax effect of the forward transactions shown in comprehensive income by applying a corporate tax effect of 9%.

1.1.3 Management summary on the performance of the segments

In relation to segment information, we present the detailed description, analysis and comparison of the segments in question.

ALTEO GROUP MANAGEMENT STATEMENT - FINANCIAL STATEMENT BY ACTIVITIES							
H1 2020 *data in HUF million* *(negative value)*	**Energy production (Outside of the subsidized**	**Electricity production (within the subsidized**	**Energy services**	**Energy trading**	**Other**	**Items eliminated due to consolidation**	**Total**
Sales revenue	**7 529**	**1 825**	**5 133**	**5 652**	**221**	**(4 197)**	**16 164**
Material-type expenditures	(5 337)	(303)	(3 561)	(5 533)	(266)	4 064	(10 937)
Personnel expenditures	(86)	-	(1 163)	(49)	(389)	130	(1 557)
Other revenues and Other expenditure	(590)	24	5	26	(0)	3	(532)
EBITDA*	**1 516**	**1 546**	**414**	**96**	**(435)**	**(0)**	**3 137**

**In the opinion of the Company, the profit category that can most reliably be used to measure the profitability of the Group is EBITDA (a profit category from which financial items, taxes, depreciation, and non-systematic reductions – typically impairments – have been removed). Therefore, impairment and local business taxes and innovation contributions – if any – have been removed from the Other Revenues and Other Expenses lines that are used to provide a more detailed elaboration of the EBITDA in the above table.*

Presenting the allocation between segments reflects the approach of the Group's management relating to the valuation and assessment of the various areas. Accordingly, the majority of personnel expenses appear in the performance of the various segments under services between segments.

1.1.3.1 Heat and electricity production segment (market-based, i.e. outside the “Subsidized” system)

The Heat and electricity production – ‘outside the “Subsidized” system’ segment – i.e. the market-based segment is where we classify the heating power plants performing cogenerated heat and electricity generation and the Control Center, the energy storage unit participating in the FCR (formerly called primary) regulatory market, as well as the energy production units that have already produced their KÁT volumes (three wind turbines and one hydropower plant). The role of the Control Center extends to planning and managing the Group’s market-based renewable electricity production as well as the electricity production of cogeneration equipment in heating power plants. Through the integration of the units managed, the Control Center makes it possible to appear on the System Services market. The profit that can be realized on the electricity production asset portfolio with electricity production integrated through the Control Center, with the fulfilled electricity management functions, and with the sales of structured electricity products, greatly exceeds the profit levels that could be achieved by implementing conventional production strategies.

The production units included in the segment expanded substantially in the period. in Q2 2020, 3 gas engines – with a total installed capacity of 9 MW – were commissioned at the Győr and Tiszaújváros sites.

The market processes developed as a result of the COVID-19 virus, along with weather-dependent capacities being increasingly present in the electricity system, continue to strengthen System Operator needs for flexible electricity generation capacity and regulatory energy, the establishment of which capacities corresponds to the Group's short and medium-term development directions.

The average prices of balancing reserve capacity and energy products in the period were also more favorable than the average prices of the base period, as a result of which the segment's profit-generation ability increased considerably.

In the preceding periods, the Control Center was able to utilize segment-integrated weather-dependent electricity generating capacities on the System Services market with improving efficiency, which in part contributed to higher profits in the period.

In addition to retail heating suppliers, the segment sells heat energy to customers like AUDI, Heineken, Agria Park, etc. On the basis of these contracts, the company continued to provide a stable and predictable performance.

Heat and electricity production (market rate, outside of the subsidized system)

data in million HUF	H1 2020 non-audited	H1 2019 non-audited	Change HUF million over previous year	Change % over previous year
Sales revenue	**7 529**	**6 574**	**955**	*15%*
Material-type expenditures	(5 337)	(5 044)	(293)	*6%*
Personnel expenditures	(86)	(58)	(28)	*48%*
Other revenues and Other expenditures	(590)	(340)	(250)	*(74%)*
EBITDA*	**1 516**	**1 132**	**384**	**34%**

**In the opinion of the Company, the profit category that can most reliably be used to measure the profitability of the Group is EBITDA (a profit category from which financial items, taxes, depreciation, and non-systematic reductions – typically impairments – have been removed). Therefore, impairment – if any – has been removed from the Other Revenues and Other Expenses lines that are used to provide a more detailed elaboration of the EBITDA in the above table.*

The Control Center was able to grow again, even relative to the high comparative results.

The revenue of the Heat and electricity production segment in H1 2020 exceeded the H1 2019 level by 15% (HUF 955 million), and the segment's EBITDA in H1 2020 was HUF 1,516 million.

The EBITDA increased by 34%, mainly due to the following factors:

– the electricity capacity managed by the Control Center was expanded through the gas engine projects implemented in H1 2020;

– the Control Center did well to take advantage of the opportunities on the balancing reserve market in 2020, and managed to over-perform 2019 results;
– the revenue of the FCR reserve capacity (formerly called primary) generated by the energy storage architecture was more favorable than in the preceding period;
– thanks to the hedging policy, the heat sales activity subject to price regulation still has no dominant negative impact on the segment's profitability.

The segment's material expenses exceeded the H1 2019 value by 6% (HUF 293 million).

Material expenses include three major items: the cost of gas purchased, the cost of electricity purchased – from outside the company group – and the maintenance costs associated with facility operation and production equipment.

Due to the increase in the volume of electricity production, compared to the comparative period the segment consumed a greater quantity of natural gas and, as a result, material costs corresponded to the change of natural gas volume.

As a result of the Group's hedging policy, as in 2019, price fluctuations on the natural gas market had only a very limited impact on the segment's profits in 2020.

In the 2020 reporting period, on account of the world economic effect of the COVID-19 pandemic, the world market price of natural gas underwent unexpected fluctuation, with a volatility that could not be predicted beforehand. Between the two reporting periods, the EUR value of natural gas overall showed a decreasing trend. Within the segment's report, the market price change of natural gas did not represent an outstanding profit effect. The Group's consistently applied hedging policy to manage price change established the raw material prices impacting the segment's profits. The Group applies the hedging policy without regard to the direction of price changes, and as such the segment – as a self-operating mechanism protecting hedges – mitigates losses or profits of market price fluctuations – with either a positive or negative effect – spilling over into profit.

The expansion of personnel expenses is an investment into the long-term profitability of the segment.

The rise in personnel expenses (+48%, HUF 28 million in the segment) was caused by the advanced expert capacity needs of professionals (also requiring higher staff numbers) promoting the activities of the Control Center.

The balance of other income and expenses was 74% (HUF 250 million) lower than the H1 2019 balance.

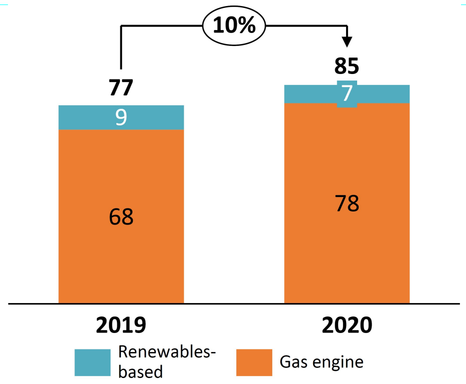
The rise in other expenses was caused by the negative effect of the accounting settlement of the recontracting of CO_2 quota-related positions with more favorable conditions. Based on production expectations, by year-end revenues could offset the impact on profit observed in H1 in relation to other expenses.

1.1.3.1.1 Presentation of the markets of the heat and electricity segment

The impact of the sale of structured electricity products on the segment's profit

Electricity production achieved with own facilities **increased by 10%**. With the capacity increase implemented through the establishment of new gas engine capacities in the current year, the segment was able to react to market needs well.

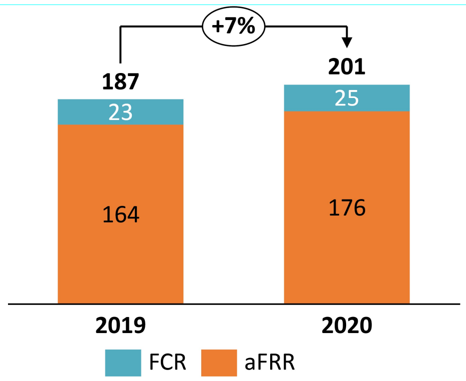
The reason for the drop in renewable electricity production is that production was halted due to the reconstruction of the Gibárt Hydropower Plant in H2 2019, with production planned to restart in H2 2020.



Electricity sold by the Control Center (GWh) in H1 2019 and H1 2020

The total quantity of the balancing reserve capacity sold in the aFRR (formerly called secondary) market **exceeded** the value of the base period **by 7%**.

In H1 2020, balancing reserve capacity sold at a higher average price in the System Services markets contributed significantly to the profits of the segment.



Electricity capacity sold by the Control Center in H1 2019 and H1 2020 (aFRR: GWh; FCR: GWh_{sym})

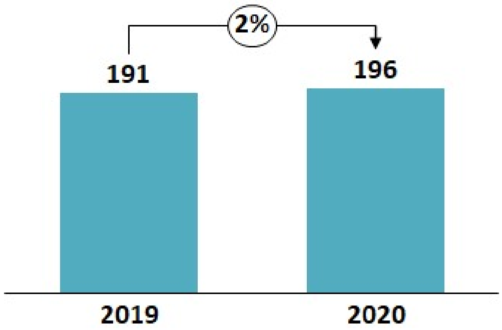
Impact of heat energy (district heating) production and sale on the segment's profit

The economic performance of the district heating subsegment was roughly at the level of the base period.

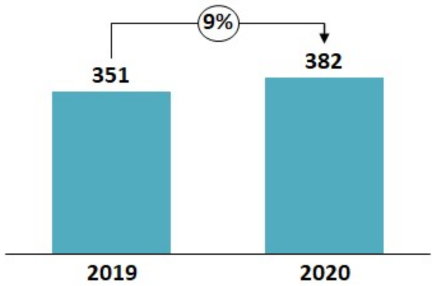
The **volume of heat energy produced by the segment increased by 2%** in the period. In 2020, official feed-in prices of heat energy remained at the level of the comparative period. The increase in heat sales revenues changed in proportion to the lower-rate increase of heat energy volume.

In line with the hedging policy applied by the Group, the gas volume and price required for production was ensured for the planned hedging policy level. As a result of the hedging policy, the hedging of the sub-segment remained predictable, and the sharp price changes observed in the procurement market represented only low volatility in the segment's sales profit.

The volume of natural gas used by the segment **increased by 9%**, in accordance with the rise in heat and electricity production output.



Heat volumes sold by the segment (GWh) in H1 2019 and H1 2020



Volume of natural gas used by the segment (GWh_{GCV}) in H1 2019 and H1 2020

1.1.3.1.2 Electricity production (in the "Subsidized"[1], formerly "KÁT", system)

Electricity production recognized in this segment comprises exclusively renewable energy assets (solar, wind, hydro, landfill gas) used for production within the "KÁT" balancing group.

Electricity production (within the subsidized system)

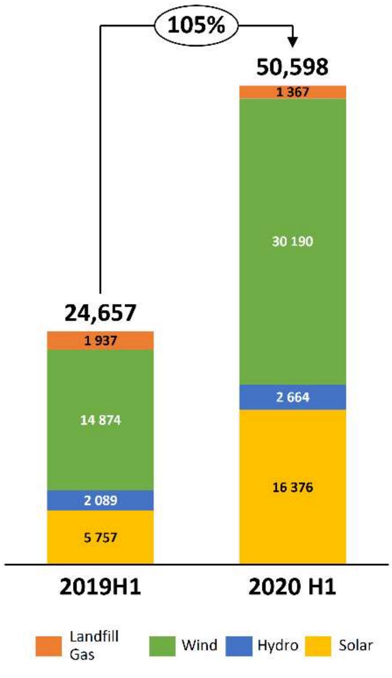
data in million HUF	H1 2020 non-audited	H1 2019 non-audited	Change HUF million over previous year	Change % over previous year
Sales revenue	**1 825**	**891**	**934**	*105%*
Material-type expenditures	(303)	(211)	(92)	*44%*
Personnel expenditures	-	-	-	*0%*
Other revenues and Other expenditures	24	20	4	*23%*
EBITDA*	**1 546**	**700**	**846**	**121%**

**In the opinion of the Company's management, the profit category that can most reliably be used to measure the profitability of the Group is EBITDA (from which financial items, taxes, depreciation, and profit effects recognized in no close relation to the business period – typically impairments – have been removed). Elaboration of EBITDA: Impairment, local business taxes and innovation contributions – if any – have been removed from the Other Revenues and Other Expenses line in the above table.*

[1] The designation of "Subsidized" energy market corresponds to the designation "KÁT" used earlier; in the present report, these two designations are used by the Company with the same content.

Revenue from the Group's **electricity production plants selling electricity within the Subsidized system was HUF 934 million higher** as compared to the same period in 2019. The main reason for higher revenue is the acquisition of EURO GREEN ENERGY Kft. (Bőny wind farm). **The Bőny power plant with 13 wind turbines**, whose figures are shown in the segment's profit and loss as of the beginning of April 2019, generated a HUF 596 million increase in sales revenue. Moreover, the ***Balatonberény and Nagykőrös solar power plants*** – delivered mid-last year – contributed to the increase in the segment's revenue with HUF 360 million. The loss of sales revenue due to the landfill gas engine removed from the state-subsidized KÁT system as of 12/31/2019 was partly compensated for by the increase in production (compared to the same period in the preceding year) of the other gas engine on site. The Törökszentmiklós wind farm, which has not been producing since March 2020 on account of a breakdown, caused a drop in sales revenue. The reconstruction of the power plant is made very difficult by the pandemic situation.

The segment's EBITDA generation – thanks to the high EBITDA rates observed in the segment – increased by **HUF 846 million** by 2020. As a consequence of the segment's typically high hedging ratio, a significant portion of the increase in the revenue of the segment appears in the EBITDA.



Quantities sold in H1 2019 and H1 2020 and their distribution (MWh)

The change in the volume of electricity sold is **105%**.

In May 2019, due to the acquisition of Euro Green Energy Kft., the Group expanded its renewable production capacities (wind turbine) by additional 25 MW. The acquisition reflects the fact that the Group gives high priority to the expansion of renewable energy capacities, both in terms of profitability and environmental consciousness.

The performance enhancing reconstruction of the Gibárt Hydropower Plant is expected to conclude in H2 of this year, resulting in additional growth in the segment.

1.1.3.2 Energy Services segment

The Energy Services segment comprises power plant operation and maintenance (O&M) services provided both within the Group and to third parties as well as construction activity, engineering activity and energy consultancy. The Group also offers its customers engineering, project development and project management services, as well as main contractor construction services related to energy investments and developments, under individual orders and contracts.

The greatest volume of services provided by the business line are used by major players in the Hungarian industry (e.g. MOL Petrolkémia, BorsodChem, Budapest Power Plant, Heineken), for whom the reliable and stable operation of energy infrastructure is critical. The services provided to them are typically implemented in the framework of construction and/or long-term operation and maintenance contracts with high added value.

Energy and power engineering services

data in million HUF	H1 2020 non-audited	H1 2019 non-audited	Change HUF million over previous year	Change % over previous year
Sales revenue	**5 133**	**5 375**	**(242)**	***(5%)***
Material-type expenditures	(3 561)	(3 257)	(305)	*9%*
Personnel expenditures	(1 163)	(949)	(213)	*22%*
Other revenues and Other expenditures	5	(46)	51	*111%*
EBITDA*	**414**	**1 122**	**(708)**	***(63%)***

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The sales revenue of Energy Services closed with a drop of HUF 5,133 million (5%).

This year, the segment realized an EBITDA value of HUF 414 million, 63% lower than in the same period of 2019. The segment's EBITDA was, for the most part, realized in power plant operating activities provided to external parties. Capacity-expanding investment tasks represented a large volume within the 2020 works of the Project Development Division. In 2020, the Project Development Division undertook development tasks in the value of HUF 2 billion on assignment from the Energy production segment within the Group. Project implementation is in progress but, in line with the principle of prudence, this report shows project profits with zero margin. The profits from self-implemented projects are eliminated during consolidation. Removed EBITDA realized on self-implemented projects was HUF 718 million in H1 2019 and HUF 0 in 2020. The segment's EBITDA increase outside of the Group was HUF 10 million.

1.1.3.3 Energy retail segment

The Group's energy trading activity involves **selling** electricity and natural gas **on the free market**.

Retail energy trade *data in million HUF*	H1 2020 non-audited	H1 2019 non-audited	Change HUF million over previous year	Change % over previous year
Sales revenue	**5 652**	**4 725**	**927**	***20%***
Material-type expenditures	(5 533)	(4 464)	(1 069)	*24%*
Personnel expenditures	(49)	(36)	(13)	*36%*
Other revenues and Other expenditures	26	11	15	*144%*
EBITDA*	**96**	**236**	**(140)**	***(59%)***

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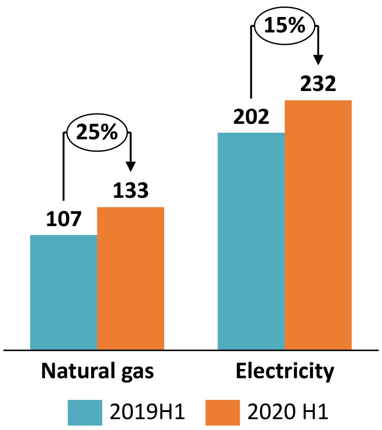
The COVID-19 pandemic in H1 2020 had a substantial impact on energy retail. The energy consumption of our customers was transformed on account of the COVID-19 pandemic. Change has decreased, as a result of which the released electricity volume was sold by the segment on the free market. The COVID-19 pandemic caused a wild fluctuation in the price of energy products. The segment was typically only able to sell off surplus electricity on the spot market with losses, at fluctuating prices. The effect is further enhanced by the fact that spot market electricity prices dropped considerably as a result of the pandemic.

Presentation of components accompanied by a sales revenue effect

The segment's H1 2020 revenue increased by HUF 927 million over the same period in 2019. This revenue increase is largely attributable to the growth of the electricity trading business (HUF 594 million); however, the revenue from the gas trading activity was also up by HUF 337 million as compared to last year. **Within the segment, an overall increase was realized in the volume and revenue of both natural gas and electricity sale transactions.** The segment's EBITDA decreased by a total of HUF 140 million compared to H1 2019.



Changes in the volume of natural gas and electricity sold in H1 2019 and H1 2020 (GWh)

The **volume of electricity sold** increased from 202 GWh to 232 GWh **(+15%)**, and the average sales price (in line with market and seasonal trends) grew by 1%.

The **volume of natural gas sold** increased from 107 GWh to 133 GWh **(+25%)**, which is mainly the result of the entry of several new industrial users and the portfolio expansion after the first gas year. The average sales price increased here as well, by more than 4%.

Material-type items are dominant in the expenses of the retail energy segment. Natural gas and electricity procured and resold is shown under material expenses. Close to a quarter of electricity procured is from ALTEO's Heat and electricity production segment.

1.1.3.4 Other segments

The other segment is the place where administration and consulting activities are presented, which typically generate revenue for the Group. The scope of activities that **cannot be linked to any business line either in part or in full** are shown within the Other segment.

The segment's expenses reflect the aggregate effect of the Group's activities. The Group can be characterized with a growing portfolio of diversified activities. The segment is a professional support unit and, as such, along with the growth of the Group, changes corresponding to the growth of servicing areas.

Other segments

data in million HUF	H1 2020 non-audited	H1 2019 non-audited	Change HUF million over previous year	Change % over previous year
Sales revenue	**221**	**201**	**20**	***10%***
Material-type expenditures	(266)	(213)	(53)	*25%*
Personnel expenditures	(389)	(335)	(54)	*16%*
Other revenues and Other expenditures	(0)	(1)	1	*71%*
EBITDA*	**(435)**	**(349)**	**(86)**	***(25%)***

**In the opinion of the Company's management, the profit category that can most reliably be used to measure the profitability of the Group is EBITDA (from which financial items, taxes, depreciation, and profit effects recognized in no close relation to the business period – typically impairments – have been removed). Elaboration of EBITDA: Impairment, local business taxes and innovation contributions – if any – have been removed from the Other Revenues and Other Expenses line in the above table.*

The revenue realized by the Group's Other segment in H1 2020 (HUF 221 million) is mainly part of the growth program arising from the expansion of the Group's members and its activities.

The revenue of the Group's Other segment primarily comprises fee revenues for services provided to Subsidiaries, such as management, accounting, and professional support services. The costs of IT services represent a dominant item within Material expenses, arising on account of compliance with ongoing growth and the complexity of the economic and legal regulatory system. Personnel expenses for the segment increased. Personnel expenses changed due to the effect of general wage hikes, staff number increases related to the increase in company size and one-off savings in conjunction with organizational restructuring.

1.2 Executive summary on the consolidated statement of financial position

The Group’s closing balance sheet total was HUF 37,838 million as at June 30, 2020. The balance sheet total was HUF 37,575 million as at December 31, 2019. The balance sheet total **increased by 1%**.

Consolidated balance sheet					
	2020.06.30	**2019.12.31**	**Change between 6/30/2020 and 12/31/2019**		**2019.06.30**
data in HUF million	**non-audited**	**Comparison, audited**	**HUF million**	**%**	**non-audited**
Fixed assets	**25 769**	**24 537**	**1 232**	**5%**	**24 087**
Current assets	**12 069**	**13 038**	**(968)**	**(7%)**	**9 124**
of which, financial assets	*3 968*	*4 848*	*(880)*	*(18%)*	*2 333*
TOTAL ASSETS	**37 838**	**37 575**	**264**	**1%**	**33 211**
			-		
Shareholders' equity	**7 587**	**5 750**	**1 837**	**32%**	**6 310**
Long-term liabilities	**22 014**	**21 759**	**255**	**1%**	**19 876**
of which credit, loans, bonds, leasing	*19 904*	*19 710*	*194*	*1%*	*18 308*
Short-term liabilities	**8 237**	**10 066**	**(1 828)**	**(18%)**	**7 025**
of which credit, loans, bonds, leasing	*2 862*	*2 787*	*75*	*3%*	*1 775*
SHAREHOLDERS' EQUITY and LIABILITIES TOTAL	**37 838**	**37 575**	**264**	**1%**	**33 211**

Assets

The increase in the portfolio aggregating the Group’s production power plants and equipment played a significant role in the increase of the Group’s assets in the first six months of 2020. In the current period, the value of **fixed assets**, power plants and power generating properties, plants and equipment increased **by more than HUF 1.2 billion as a result of investment projects**. The Group covered investment activity, on the one hand, using the **positive operating cash-flow of the reporting period** and, on the other, the accumulated balance of preceding periods. Cash dropped by HUF 0.9 billion in H1 2020 due to the fund requirements of investment activity.

Liabilities

The Group’s trade payables, on the one hand, follow the seasonality of heating power plants. On account of the seasonality underlying the Group’s activities, the portfolio of trade payables is lower in the end-of-year winter period than in the summer. Beyond seasonality, trade payables (services and material procurements used for large-amount projects) as at the end of last year were settled in due time.

The reason for the rise in the total of long-term and short-term loans is the principal and interest accumulated during the loan moratorium.

1.2.4 Detailed presentation of the consolidated statement of financial position

ALTEO Group **closed H1 2020** with a balance sheet total of **HUF 37,838 million**. The Group's balance sheet total **exceeded the H1 2019 balance by 13%**, while 2020 events represented a change of **1%**. The expansion of non-current assets represents an increase of 5%.

Consolidated balance sheet

data in HUF million	2020.06.30	2019.12.31	Change between 6/30/2020 and 12/31/2019		2019.06.30
	non-audited	Comparison, audited	HUF million	%	non-audited
Fixed assets	**25 769**	**24 537**	**1 232**	**5%**	**24 088**
Power plants and power generating properties, plants and equipment	19 841	17 712	2 129	*12%*	16 693
Other property, plant and equipment	86	73	13	*18%*	43
Net investment in lease	104	104	-	*0%*	254
Emission allowances	3	342	(339)	*(99%)*	17
Other intangible assets	3 003	3 492	(489)	*(14%)*	4 642
Operation contract assets	1 360	1 408	(48)	*(3%)*	1 429
Rights of use	940	925	15	*2%*	630
Deferred tax assets	186	287	(101)	*(35%)*	180
Long-term loans given	174	167	7	*4%*	200
Long-term deposit given	71	27	45	*163%*	-
Long-term share in associate	-	-	-	*n/a*	-
Current assets and assets held for sale	**12 069**	**13 038**	**(968)**	***(7%)***	**9 123**
Inventories	348	233	115	*49%*	298
Trade receivables	3 001	2 920	81	*3%*	2 501
Part of lease investment due within the year	174	161	13	*8%*	312
Other financial assets from the valuation of forward transactions	788	49	739	*1 508%*	315
Other receivables and accruals	3 004	3 448	(444)	*(13%)*	2 159
Income tax receivables	-	119	(119)	*(100%)*	145
Cash and cash equivalents	3 968	4 848	(879)	*(18%)*	2 332
Deposits, financial collaterals*	786	1 260	(474)	*(38%)*	1 056
Assets held for sale	-	-	-	*n/a*	5
TOTAL ASSETS	**37 838**	**37 575**	**264**	**1%**	**33 211**
Shareholders' equity	**7 587**	**5 750**	**1 837**	***32%***	**6 310**
Equity attributable to parent company interests	**7 581**	**5 754**	**1 827**	*32%*	**6 317**
Issued capital	233	233	-	*0%*	233
Share premium	5 058	5 056	2	*0%*	5 043
Share-based payments reserve	67	68	(2)	*(1%)*	93
Retained earnings	3 358	2 303	1 055	*46%*	2 501
Transactions with owners	(193)	(193)	-	*0%*	(193)
Cash-flow hedge reserve	(941)	(1 713)	773	*(45%)*	(1 360)
Conversion reserve	(1)	(1)	-	*0%*	-
Equity attributable to non-controlling interests	6	(4)	10	*(250%)*	(7)
Long-term liabilities	**22 014**	**21 759**	**255**	***1%***	**19 876**
Long-term loans and borrowings	8 008	7 884	124	*2%*	13 278
Debts on the issue of bonds	10 957	10 909	48	*0%*	4 197
Finance lease liabilities	939	917	22	*2%*	833
Deferred tax liabilities	656	600	56	*9%*	590
Provisions	616	569	47	*8%*	532
Deferred income	488	536	(48)	*(9%)*	115
Other long-term liabilities	351	345	6	*2%*	331
Short-term liabilities	**8 237**	**10 066**	**(1 828)**	***(18%)***	**7 025**
Short-term loans and borrowings	362	463	(101)	*(22%)*	1 678
Short-term bond payables	2 391	2 215	176	*8%*	97
Short-term finance lease liabilities	109	109	-	*0%*	-
Advances received	482	498	(16)	*(3%)*	356
Trade payables	626	1 964	(1 338)	*(68%)*	564
Other financial liabilities from the valuation of forward	972	1 104	(132)	*(12%)*	478
Other short-term liabilities and accruals	3 215	3 655	(439)	*(12%)*	3 695
Income tax liabilities	80	58	22	*38%*	157
TOTAL EQUITY and LIABILITIES	**37 838**	**37 575**	**264**	**1%**	**33 211**

**Deposits and financial collaterals are shown on a separate line*

On **Non-current assets**, the components of the change for H1 2020 show the implementation of the Group's growth plans:

- The Group continued the capacity-building investment program started last year, in the first phase of which **3 gas engines – with a total capacity of 9 MW** – were put into operation at ALTEO's Tiszaújváros and Győr sites.
- The **reconstruction of the Gibárt Hydropower Plant** is nearing completion, and is expected to conclude in H2 of this year.
- In April 2019, **13 wind turbines** operating in the Bőny wind farm were added to the Group.
- Carbon dioxide **emission allowances** are delivered in April of each year in line with the statutory deadline.

The HUF 12 billion portfolio of **current assets** represented a 7% drop over 2019 closing values, and a 32% increase over H1 2019. The portfolio fluctuation of current assets between periods represents a modest 3-5% change in asset composition. The direction of current asset changes in the reporting periods are driven by investment project phases, and are determined by the cash utilized for investment programs and the amount of newly generated cash by the closing day of the report. **Changes in cash balance** are presented on an item-by-item basis in the consolidated Statement of Cash Flows, see Section *1.2.5*.

Among current assets, **trade receivables**, **other receivables, accrued income and deferred charges** all closed at HUF 3 billion. In the Group's statement of financial position, the weight of these receivable items is consistent at 7-9%, with the working capital kept in balance by the Group through strict cash-flow management even during growth. Slight shifts represent HUF 0.3-0.4 billion, and are the natural consequences of seasonal fluctuations (changes on account of the seasonality of heating power plant and solar power plant production, the portfolio increase due to the seasonality and expansion of retail, and the drop in receivables invoiced to external partners in relation to construction/installation works). The closing balance of **Deposits and financial collaterals** was HUF 0.8 billion. The SFP line shows the given provided deposits (collateral bank balances underlying bank loans, deposits provided for settlement or delivery transactions). The portfolio of items dropped in Months 1-6 in 2020.

Other financial assets from the valuation of forward transactions closed at HUF 0.8 billion. Change in the current period is growth. The HUF 0.7 billion change was due to changes in the composition and magnitude of hedging derivatives outstanding at the reporting date within the period and changes resulting from the valuation of transactions outstanding at the reporting date. The detailed impact of hedges is presented in the section on comprehensive income, see Section *1.1.2*.

The **equity of the Group increased by HUF 1.8 billion** in H1 **2020**. Changes in equity elements are presented in the table presenting the movements of equity in Section *1.2.6*.

The Group's **long-term liabilities** increased by HUF 0.25 billion i.e. **by 1%**, closing at HUF 22 billion.

- **In terms of loans**, based on individual consultation with credit institutions, the Company – in part – took advantage of the debt service moratorium option ensured by legal regulations in relation to the COVID-19 pandemic. The increase is the result of the loan term amendments relating to the moratorium.
- The amount of **provisions** changed by HUF 47 million due to asset retirement obligations.
- **Deferred tax liabilities** increased by HUF 56 million as a result of the mechanism introduced to offset the income tax effect of different depreciation rates and other items of taxation and accounting between years.
- The obligation recognized under **other long-term liabilities** in the amount of HUF 351 million is the present value of the so-called "conditional purchase price" related to the acquisition of the Zugló heat power plant. The increase is the result of the updating of estimates.
- **Finance lease liabilities** increased by HUF 22 million to HUF 939 million. This is where the obligations relating to the rights of use as per the IFRS 16 standard are shown. Obligations relating to the lease rights of the area of the 13 wind turbines of the Bőny wind farm acquired last year, as well as additional obligations generated during the renewal of the utilization rights of the area of the Zugló heating power plant, as well as other obligations relating to the property and vehicle-lease utilization rights.

Short-term liabilities decreased by a total of HUF 1.8 billion over the comparative period.

- **Short-term loans and credits** closed at HUF 0.46 billion, and in the current period dropped by HUF 101 million as a result of the COVID-19-related loan and interest repayment moratorium (the classification between long and short-term loans was amended in the current period on account of the moratorium).
- The value of **bond payables due within a year** is HUF 2.4 billion, which represents interest and principal payments due within a year.
- The aggregate amount of **trade payables** and **other short-term liabilities and accruals** dropped by HUF 1.7 billion in comparison to the previous year. The drop in trade payables is the aggregate effect of heating power plant seasonality, lower gas bills due to decreasing gas prices, and the financial settlement in the current period of high-amount maintenance/repair invoices at the end of last year.
- **Other financial liabilities** from the valuation of forward transactions closed at HUF 0.97 billion. The detailed impact of hedges is presented in the section on comprehensive income, see Section *1.1.2*.

1.2.5 Consolidated statement of cash flows;

ALTEO Group's consolidated statement of cash flows for Months 1-6 ending on June 30, 2020

The Group's cash shows a cumulative aggregate financial asset utilization effect of HUF 0.9 billion in the first six months of 2020. The Group's business activity caused a HUF 2.1 billion increase in cash. The Group used HUF 3 billion in cash for its investment projects.

Consolidated Statement of Cash Flows		
data in HUF million	**6/30/2020 HUF million**	**6/30/2019 HUF million**
Profit or loss before taxes	**1 522**	**773**
(Interest income) and interest expenses, net	363	319
Depreciation	1 303	908
Impairment losses (other than net current assets)	1	80
Profit/loss on the derecognition of production and other machinery, and quotas	396	300
Provisions recognized and (released)	47	-
Provisions for asset retirement obligations recognized and (released) - IAS 16	(21)	280
Changes in deferred income	(48)	(27)
Non-realized translation gains and losses - other than net current assets	744	(569)
Share-based payment cost	-	-
Changes in deferred tax	156	-
Income taxes paid	(458)	(17)
Net cash-flow of business activity without change in current assets	***4 005***	**2 047**
Change in inventories	(115)	(85)
Change in trade receivables, other receivables, accrued income and deferred charges	469	35
Change in deposits, financial collaterals	429	(457)
Change in other financial assets	(739)	(45)
Change in trade payables, other liabilities, accrued expenses and deferred income	(1 887)	(2 304)
Change in advances received	(16)	(9)
Cash flow from business activities (use of funds)	**2 146**	**(818)**
Interests received on deposits and investments	12	8
Purchase of production and other machinery, and intangible assets	(2 980)	(10 298)
Investment in acquiring businesses (net of cash)	(1)	(1 344)
Revenue from the sale of production and other machinery, and intangible assets	-	-
Long-term loans given - disbursement	(7)	-
Long-term loans given - repayment	-	18
Investment activity (reverse cash flow)	**(2 976)**	**(11 616)**
Interests paid	(349)	(214)
Long-term loans and borrowings received, repaid	45	9 370
Bonds repaid	-	(925)
Bonds issued	224	1 544
Capital increase	-	2 000
Debts on the issue of bills of exchange	-	700
Other transactions with owners	-	(6)
Dividend payment	**-**	**(250)**
Cash flow from financing activities	**(80)**	**12 219**
Change in cash with exchange rate effect	**(910)**	**(215)**
Exchange rate conversion differences on cash and cash equivalents	**30**	**(14)**
Changes in cash and cash equivalents	**(880)**	**(229)**
Opening cash and cash equivalents	**4 848**	**2 561**
Closing cash and cash equivalents	**3 968**	**2 332**

The Group presents the cash-flow changes arising from the changes in the statement of financial position (indirect cash-flow).

1.2.6 Consolidated changes in equity

For months 1-6 ending on June 30, 2020

Data in HUF thousand	Issued capital	Share premium	Share-based payment reserve	Retained earnings	Transactions with owners due to treasury shares	OCI reserves (CF, Transf.)	Equity attributable to the Parent Company	Non-controlling interest	Total equity
December 31, 2019	**232 948**	**5 056 207**	**68 398**	**2 303 282**	**(192 534)**	**(1 714 491)**	**5 753 810**	**(3 926)**	**5 749 884**
grant of employee share benefit for 2019	**24**	**1 626**	**(1 650)**				**-**		**-**
Acquisition of the non-controlling interests of Tisza-Bioterm Kft.				**(7 814)**			**(7 814)**	**7 814**	**-**
Impact of comprehensive income				**1 062 379**		**772 609**	**1 834 988**	**1 717**	**1 836 705**
June 30, 2020	**232 972**	**5 057 833**	**66 748**	**3 357 847**	**(192 534)**	**(941 882)**	**7 580 984**	**5 605**	**7 586 589**

data in thousand HUF	Issued capital	Share premium	Share-based payment reserve	Retained earnings	Transactions with owners due to treasury shares	Cash-flow hedge reserve	Conversion reserve	Equity attributable to the shareholders of the Parent Company	Non-controlling interest	TOTAL EQUITY
2018. december 31.	**195 315**	**3 080 838**	**92 690**	**2 267 979**	**(186 407)**	**(299 103)**	**262**	***5 151 574***	**(6 841)**	***5 144 734***
Dividend payment				**(250 058)**				**(250 058)**		**(250 058)**
Capital increase (private placer	**37 313**	**1 952 202**						**1 989 515**		**1 989 515**
Own share transactions	**154**	**9 943**			**(6 123)**			**3 974**		**3 974**
Share-based benefits								**-**		**-**
Comprehensive income	-	-	-	483 577		(1 061 381)	69	**(577 735)**	**(267)**	**(578 002)**
2019. június 30.	**232 782**	**5 042 983**	**92 690**	**2 501 498**	**(192 530)**	**(1 360 484)**	**331**	***6 317 270***	**(7 108)**	***6 310 163***

In contrast with other tables in the report, the table is **shown in HUF thousand**, with a view to the presentability of the low-amount items in the capital structure.

The increase in equity came from the joint effect of the following changes:

- In the context of the employee program, the awardees of the program received share benefits.
- The Group now has a 100% stake in Tisza-BioTerm Kft., in which it previously only held a 40%, non-controlling interest.

- In line with its hedging strategy, the Group entered into forward transaction for the upcoming years in order to ensure its operation with an acceptable level of risk. As of the reporting date, the **aggregated fair value of open forward transactions** was negative and the Group recognized it in its equity. Compared to the preceding period, however, the fair value of the portfolio **decreased** substantially, which in turn **increased equity by HUF 773 million**.
- The increase from the after-tax **profit for the parent company** amounted to **HUF 1,062 million** in H1 2020.

1.2.7 Other financial information

1.2.7.1 Basis for the preparation of the financial statements

These interim financial reports were prepared in line with the *IAS 34 Interim Financial Reporting standard*, and as such do not contain all information that are ***presented in year-end financial reports – in line with the IAS 1 Presentation of Financial Statements standard***. ***These interim financial reports are to be interpreted together with financial reports for the business year ended on December 31, 2019 (hereinafter: complete financial statement).***

In relation to its Interim Financial Report, the Group’s management makes the declarations and statements stipulated in Decree No. 24/2008 (VIII. 15.) of the Minister of Finance on the detailed regulations on information provision obligation relating to securities traded on the stock exchange in its Semi-Annual Report.

1.2.7.2 Accounting policies and changing standards

Changes in the Group’s accounting policy

The Group’s earlier accounting policies did not change for the last full fiscal year (2019).
The Group takes advantage of the possibility that, in its interim financial reports, it does not necessarily repeat the data disclosed outside of but together with interim financial reports, and only makes a clear reference to such data when omitting such repetition [IAS 34.10A].

Change in regulation
The accounting policy applied when drawing up interim consolidated financial statements is in harmony with that applied when preparing the Group's financial statements as at December 31, 2019.

1.2.7.3 Impact of construction and installation contracts

Revenues relating to ongoing projects are recognized by the Group in accordance with the rules of the IFRS 15 standard. The Group registers its costs concerning the construction-installation contracts separately for each project, and recognizes revenue against the amount due from the customer, proportionate to the occurrence of such costs and by analyzing the level of completion and the planned (expected) profit.

1.2.7.4 Classification changes applied to the comparative period

The Group's management is committed to presenting the various business lines as illustratively as possible. Accordingly, the segment classification of the various activities is reviewed on a yearly basis. No reclassification was carried out in the reporting period.

1.2.7.5 Uncertainty arising from management estimates

The Company's management uses estimates in several areas when preparing its financial statements. These accounting estimates reflect the management's best and most up-to-date knowledge in all cases.

In preparing its financial statements, the Group made critical estimates in connection with the following topics which, as a result, are sources of uncertainty.

- estimates concerning the depreciation of the fixed assets (e.g.: useful life),
- estimates concerning the creation of provisions (e.g.: methodology of calculation, indicators for determining provisions),
- estimates concerning the evaluation of inventories and receivables,
- estimates concerning fair value,
- estimates relating to construction and installation projects (investment contracts),
- determination of the fair value of the contingent purchase price.

The following might indicate the review of accounting estimates:

- changes in legal regulations,
- changes in the economic environment,
- changes in the operation, procedures of the company.

Changes in accounting estimates is done by assessing the modification of the carrying amount of an asset or liability or the amount of the periodical use of the asset, performed based on the evaluation of the present situation of the assets and liabilities and the related expected future profits and commitments. In all material situations, the changes in accounting estimates are caused by new information or new developments, so, accordingly, these do not qualify as corrections. It is not necessary to change the modification of the data of the comparative period if the accounting estimates change.

1.2.7.6 Presentation of the financial statements in interim financial reports, seasonality

Numeric reports of the financial statements (with the exception of the amendment of the statement of profit or loss) is presented by the Group in a structure identical to the year-end complete financial statement. The numeric reports of the financial statements are not condensed. Among the notes, the segment report is prepared in a structure identical to the complete financial statement. Other notes are only disclosed by the Group if it believes that a significant event or the IAS 34 (Interim Financial Reporting) standard requires this.

IAS 34 stipulates for the economic operator to call attention to the fact if its activity is seasonal in nature. The Group – taking the characteristics of its activity into consideration – is faced with seasonality in respect of profit and cash-flow-generating items: this is an important aspect in terms of the interpretation of interim financial data.

Seasonality is particularly emphatic in the Group's activity: the heating season (Q1 and Q4) is when a substantial portion of the revenue generated by the Group's heating power plants is realized. It is also typical of the Group's wind and solar plant units producing renewable energy that their production is seasonal, with output usually highest in Q1 and Q4 for wind farms, and in Q2 and Q3 for solar power plants. The construction and installation activity of the Group's Enterprise business line is project-like in nature, and as such comparability of the various periods is limited by the varying volume and type of orders in progress in the given period.

1.3 Coronavirus-related measures, impact of the pandemic on ALTEO's H1

The aim of ALTEO GROUP is to ensure as safe as possible working conditions for its staff and partners, the 100 percent operation of its power plants and the continuous servicing of its customers even in the event of the spread of the pandemic across the country. For this reason, we have introduced numerous precautionary measures that help minimize the risk of the transmission and further spread of the coronavirus both within and outside of the company.

The coronavirus (COVID-19) only had a truly substantial impact on ALTEO Nyrt.'s electricity trading business line. At the same time, the Group's other segments that were essentially not or only less vulnerable to economic growth were able to considerably overcompensate for this, thereby confirming the viability of the Group's strategy based on diversified activities.

The direct financial effects of the pandemic on ALTEO's course of business:

In the interest of performance in conformity with the contracts, the **Energy retail** business line purchased electricity for customers. Due to pandemic-related measures, we observed restructuring in the volume and location of electricity consumption. As a result of the restructuring, consumption within consumers' electricity consumption portfolio was lower than the planned consumption needs. The electricity surplus unused by consumers was sold by the business line on the spot market. In the periods impacted by the pandemic, energy product spot prices dropped substantially and, as a result, energy volumes sold at spot market prices generated losses. We have prepared for a potential new pandemic situation with precautionary measures, that will help mitigate the negative impact of the returning pandemic. We expect that any potential pandemic-related restrictions will have a more moderate impact on the segment's H2 results.

In the **market of Energy Services**, the impact of the pandemic was primarily apparent due to the prudence and deliberation observed in the investment and construction market as well as the market of pre-scheduled major overhauls. The operation of power plants in the segment was carried out reliably, with the appropriate precautionary measures in place.

2 Annexes

2.1 The Company's details

The Company's name	**ALTEO Energiaszolgáltató Nyilvánosan Működő Részvénytársaság**
The Company's abbreviated name	**ALTEO Nyrt.**
The Company's registered office	**H-1131 Budapest, Babér u. 1-5.**
The Company's telephone number	**+36 1 236 8050**
The Company's central electronic mailing address	**info@alteo.hu**
The Company's web address:	**www.alteo.hu**
The Company's place of registration	**Budapest**
Date of registration	**April 28, 2008**
Company registration number	**Cg.01-10-045985**
The Company's tax number	**14292615-2-41**
The Company's EU VAT number	**HU14292615**
The Company's statistical code	**14292615-3514-114-01**
Term of the Company's operation	**indefinite**
The Company's legal form	**public limited company**
Governing law	**Hungarian**
The Company's share capital	**HUF 242,328,425**
Date of the effective Articles of Association	**May 21, 2020**
The Company's core activity	**Engineering activities and related technical consultancy**
Business year	**same as the calendar year**

Place of publication of notices	**The Company discloses its notices regarding regulated information on its website www.alteo.hu, on the website of the BSE www.bet.hu and on the www.kozzetetelek.mnb.hu website operated by the Central Bank of Hungary; furthermore, if specifically required by relevant legislation, the notices of the Company are also published in the Company Gazette.**
ISIN code of the Shares	**HU0000155726**
Stock exchange listing	**19,386,274 shares of the Company have been listed on the BSE in the "Premium" category.**
Other securities	**Bonds**
	ALTEO 2022/I: zero coupon bonds issued by private placement, with a maturity of 5 years, total face value: HUF 650,000,000, issue value: 76.6963% of the face value; not listed. ISIN code: HU0000357405
	ALTEO 2020/I: publicly traded bonds with a fixed coupon rate of 5.5% p.a., with a maturity of 3.5 years, total face value: HUF 2,150,000,000, issue value: 100% of the face value; listed on the BSE. ISIN code: HU0000357603
	ALTEO 2022/II: zero coupon bonds issued by private placement, with a maturity of 3 years, total face value: HUF 1,693,630,000, issue value: 88.9158% of the face value; listed on the BSE. ISIN code: HU0000359005
	ALTEO NKP/2029: publicly traded interest-bearing bonds, with a maturity of 10 years, total face value: HUF 8,600,000,000, fixed annual

	interest of 3.15%; listed on the BSE, ISIN code: HU0000359252.
The Company's Board of Directors	**Attila László Chikán, Member of the Board of Directors entitled to hold the title of CEO**
	Domonkos Kovács, Member of the Board of Directors, Deputy CEO, M&A and Capital Markets
	Gyula Zoltán Mező, Chairman of the Board of Directors
	Zsolt Müllner, Member of the Board of Directors
	Ferenc Karvalits, Member of the Board of Directors
The Company's Supervisory Board	**István Bakács, Chairman of the Supervisory Board**
	Dr István Borbíró, Member of the Supervisory Board
	Péter Jancsó, Member of the Supervisory Board
	Dr János Lukács, Member of the Supervisory Board
	Attila Sütő, Member of the Supervisory Board
The Company's Audit Committee	**István Bakács, Chairman of the Audit Committee**
	Dr István Borbíró, Member of the Audit Committee
	Dr János Lukács, Member of the Audit Committee
The Company's Auditor	**The Company's current auditor is BDO Magyarország Könyvvizsgáló Korlátolt Felelősségű Társaság (registered office: H-1103 Budapest, Kőér utca 2/A, C. ép., company**

	registration number: 01-09-867785). The auditor is appointed for the period between April 30, 2020 and the date of adoption of the 2022 resolution, but until May 31, 2023 at the latest. The Company's auditor personally liable for auditing is Péter Krisztián Kékesi.
Shareholder of the Company with a share exceeding 5%	**WALLIS ASSET MANAGEMENT Zrt.**

2.2 Presentation of consolidated entities according to the financial statements

Subsidiaries mean the following companies (with specification of influence)

Name	Activity	Extent of influence		
		6/30/2020	12/31/2019	06/30/2019
ALTE-A Kft.	property management	100%	100%	100%
ALTEO Deutschland GmbH	development of an energy production portfolio, as well as energy services for both wholesale and retail trade	100%	100%	100%
ALTEO Energiakereskedő Zrt.	natural gas trading	100%	100%	100%
ALTEO-Depónia Kft	property management	100%	100%	100%
ALTEO-Therm Kft.	heat energy production, electricity production	100%	100%	100%
ALTE-GO Kft.	heat energy production, electricity production, waste utilization	100%	100%	100%
BC-Therm Kft.	heat energy production	100%	100%	100%
Domaszék 2MW Kft	electricity production	100%	100%	100%
ECO-FIRST Kft.	treatment and disposal of non-hazardous waste	66.67%	66.67%	66.67%
EURO GREEN ENERGY Kft	electricity production	100%	100%	100%
e-Wind Kft	energy production (wind turbine)	100%	100%	100%
F.SZ. ENERGIA Kft	electricity production (solar power plant)	100%	100%	100%
HIDROGÁZ Kft	energy production, hydrogas utilization	100%	100%	100%
IT-Solar Kft	electricity production	100%	100%	100%
Kazinc-BioEnergy Kft	heat energy production	100%	100%	100%
Monsolar Kft	electricity production (solar power plant)	100%	100%	100%
Péberény Ingatlanhasznosító Kft	electricity production	100%	100%	100%
Sinergy Energiakereskedő Kft	electricity trading	100%	100%	100%
Sinergy Kft	operation and maintenance of power plants, engineering service activity, construction, energy production	100%	100%	100%
SUNTEO Kft	energy production	100%	100%	100%
Tisza BioTerm Kft	heat energy production	100%	60%	60%
Tisza-BioEnergy Kft	heat energy production	100%	100%	100%
Tisza-WTP Kft	salt-free and demineralized water production	100%	100%	100%
True Energy Kft	electricity production (solar power plant)	100%	100%	100%
WINDEO Kft	energy production (wind turbine)	100%	100%	100%

2.2.1 Presentation of consolidation processes

Given the fact that ALTEO Group regularly carries out acquisitions, we believe that presenting the consolidation process applied during such acquisitions is necessary. Newly acquired subsidiaries are consolidated by the Group (using the method of full consolidation).

IFRS 3 stipulates that during business combination – with the date of the acquisition of control – the buyer determines the fair value of assets and liabilities acquired (net assets). This assessment is carried out by the Group for the companies, and it shows the data in the financial statement as best estimates. No goodwill/negative goodwill is recognized during the involvement of subsidiaries in consolidation.

After the date of acquisition, the Group applies the extended assessment and valuation period. Based on data obtained in the period, in line with new or corrected information, the Group may retrospectively enforce the following reporting changes (with retroactive effect from the date of the original acquisition):

- may amend the value of acquired assets and liabilities;
- may register new assets and liabilities;
- may cancel acquired assets or liabilities;
- may amend the classification thereof;
- and, as a consequence, may amend the value of related goodwill/negative goodwill,

if evidence surfaces that amends the value and existence of net assets acquired as at the time of acquisition compared to the original assessment.

We, therefore, call attention to the fact that although the Group does everything in its power to ensure that preliminary assessments correspond to finalized values, the data now published may change in the valuation period and the impact of this change may be significant.

2.3 Changes in the structure of the Group

In H1 2020, the Group implemented the following corporate transformations:

a. As part of its project to restructure and simplify its corporate structure, the Company ***decided*** on June 26, 2019 ***to merge its district heating companies***. Within the framework of the transformation ALTEO-Agria Kft., Kazinc-Therm Kft., Ózdi Erőmű Kft., Tisza-Therm Kft., Soproni Erőmű Kft. and Zugló-Therm Kft. merged into Győri Erőmű Kft. pursuant to Section 3:44 of the Civil Code on January 1, 2020 (date of legal succession). Győri Erőmű Kft. has become the general legal successor of the merging companies and continues its activities under the name **ALTEO-Therm** Hő- és Villamosenergia-termelő Korlátolt Felelősségű Társaság.
b. On May 18, 2019, ALTEO Nyrt. became the 100% sole owner of Tisza BioTerm Kft., where it previously held a 60% stake.
c. As part of its project to restructure and simplify its corporate structure, on June 26, 2020 the Company also ***decided to merge its solar power plant companies***. As part of the transformation:
    - IT-Solar Kft. merges into Monsolar Kft.;
    - Péberény Kft., True Energy Kft. and F.SZ. ENERGIA Kft merges into SUNTEO Kft.

   The date of the mergers by absorption is September 30, 2020 and, as such, the legal effects associated with the mergers apply as of October 1, 2020 (date of succession).

d. In H1 2020, the Company acquired the 100% stake in its so-called sub-subsidiary, EURO GREEN ENERGY Kft. As a result of the transaction, the subsidiary passed into the direct ownership of the Company.

2.3.2 Changes in subsidiaries and associated companies

Sale/purchase contract for the stake in Pannon Szélerőmű Kft. (Bábolna wind farm)

The Company, as buyer, concluded a business share purchase contract with EIH Termelő és Szolgáltató Korlátolt Felelősségű Társaság (registered office: H-9023 Győr, Körkemence utca 8, II. em. 36.; company registration no.: Cg.08-09-014038), as seller, for the transfer of the ownership of the business share representing the entire issued capital (HUF 1,153,000,000) of Pannon Szélerőmű Kft. Signing the business share purchase contract represents the first step of the transaction. The ownership of the target company's business share will be transferred to the Company once the conditions detailed in the contract have been met.

Pannon Szélerőmű Kft. owns and operates a wind farm near Bábolna consisting of 7 wind turbines and providing an electrical capacity of 15 MW. The electricity produced at this wind farm is sold through the mandatory offtake system (KÁT), with KÁT authorization expiring on 7/31/2025.

2.3.2.1 Presentation of investment projects, ensuring comparability

The acquisitions of the Group with valuations concluding in the comparative period were as follows:

Name of Subsidiary	Activity	Acquisition date
Péberény Kft*	Energy production (solar power plant), design phase project	3/13/2018
F.SZ. ENERGIA Kft.*	Energy production (solar power plant), design phase project	7/20/2018
True Energy Kft.*	Energy production (solar power plant), design phase project	7/20/2018
Euro Green Energy Kft.**	Energy production (wind farm), operational project	4/4/2019
Eco First Kft.**	Waste management	6/20/2019

*Acquisitions in 2018 relate to projects, whose implementation was carried out by the Company in 2018 and 2019, while electricity production activity commenced in H2 2019. Due to the interim commencement of production, production capacity was different in the two comparative periods.

**As a result of acquisitions, the data of the current period (in terms of both assets and profit/loss) contain the data of acquisitions; while comparative data only contain these in part. Consequently, given the availability of this information, comparative data and the data of the current period are comparable.

<u>Project sales</u>

Sinergy Kft.'s heat supply contract concluded with OTP Ingatlan Befektetési Alapkezelő Zrt. expired on 1/1/2020. Sinergy Kft. delivered the equipment used for the provision of the service to the entity accepting the project.

2.4 Material economic events determined or arising until the reporting date of the interim financial reports

2.4.1 Events at the Company relevant in terms of company law in the period between January 1, 2020 and the date of publication of this Semi-Annual Report

On April 30, 2020, the Company's Board of Directors – acting in line with Section 9 (2) of Government Decree No. 102/2020 (IV. 10.) on deviating provisions for the operation of partnerships and corporations in a state of danger – has passed the following resolutions acting within the powers of the General Meeting:

a) The Board of Directors **approved the statement of financial position** proposed by the Company's auditor regarding the Company's business year ending on December 31, 2019, along with the **separate statement, the business (annual) report** and the report of the Board of Directors prepared in line with the provisions of the Accounting Act applicable to entities preparing their annual report under the EU IFRS, as well as the relevant written reports of the auditor, the Audit Committee and the Supervisory Board.

b) The Board of Directors **adopted** the statement of financial position proposed by the Company's auditor regarding the Company's business year ending on December 31, 2019 and the **consolidated report, the business (annual) report** and the report of the Board of Directors prepared in accordance with the IFRS, as well as the relevant written **reports** of the auditor, the Audit Committee and the Supervisory Board.

c) The Board of Directors adopted the **corporate governance** report relating to the Company's 2019 operations with the proposed content.

d) The Board of Directors resolved not to pay dividends from the Company's available retained earnings, in order to alleviate the potential economic effects of the epidemic related to the COVID-19 virus.

e) The General Meeting has given the **discharge** to the members of the Board of Directors in accordance with Section 3:117 (1) of Act V of 2013 on the Civil Code of Hungary, with the conditions described therein.

f) The **Board of Directors re-elected the current members to the Company's Supervisory Board**, with the exception of Noah M. Steinberg, i.e. István Zsigmond Bakács, dr. István Borbíró, Dr. János Lukács and Péter Jancsó, and elected Attila Gyula Sütő as the delegate of ALTEO Nyrt.'s Works Council to the Supervisory Board from April 30, 2020 until April 30, 2025 and also elected István Bakács as the Chairman of the Supervisory Board. The Board of Directors resolved that the members shall perform their duties for the same remuneration, i.e. HUF 250,000 gross/month for the chairman of the Supervisory Board and HUF 200,000 gross/month for all other members."

g) From the membership of the Supervisory Board, the Board of Directors **re-elected** Mr. István Bakács, dr. István Borbíró and Dr. János Lukács **as the members of the Audit Committee of the Company** for a term from April 30, 2020 until April 30, 2025 and appointed dr. István Bakács as the chairman of the Audit Committee. The aforementioned persons receive no separate remuneration for their Audit Committee membership.

h) The members of the Company's Board of Directors declared that they accept the mandate to act as members of the Company's Board of Directors from April 30, 2020 until April 30, 2025 with unchanged personnel and for the same remuneration, i.e. HUF 300,000 gross/month for the chairman of the Board of Directors and HUF 250,000 gross/month for all other members. The Board of Directors, under the above-specified conditions, decided to **re-elect the existing Board members**, namely Attila László Chikán, Ferenc Karvalits, Domonkos Kovács, Gyula Zoltán Mező and Zsolt Müllner.

i) In line with the content of the submission and the recommendation from the Audit Committee, the Board of Directors appointed **BDO Magyarország Könyvvizsgáló Korlátolt Felelősségű Társaság** (registered office: H-1103 Budapest, Kőér utca 2/A. C. ép.; company registration number: 01-09-867785; registration number with the Chamber of Hungarian Auditors: 002387) **as the Company's permanent auditor** starting from April 30, 2020 and ending with the date of the adoption of the General Meeting's resolution on the report, prepared in accordance with the Accounting Act, for the business year ending on December 31, 2022, but no later than May 31, 2023, for a total remuneration of HUF 33,450,000 + VAT for a three-year period. The person personally responsible for auditing is Mr. Péter Krisztián Kékesi. Furthermore, the Board of Directors authorizes the CEO to make a decision on the other conditions of the engagement and to enter into a contract for professional services with the auditor.

j) The Board of Directors adopted the remuneration policy for the Company in line with the content set out in the Submissions.

k) The Board of Directors acknowledged and accepted the information provided on **transactions involving own shares** in accordance with the Submissions.

l) In acceptance of the grounds described and under the conditions specified in the Submissions, the Board of Directors decided to extend the **authorization** given to the Board of Directors regarding **own share transactions** for eighteen months from April 30, 2020.

m) The Board of Directors adopted the Company's **Articles of Association** in a consolidated structure with the amendments.

2.4.2 Events at the Company's subsidiaries relevant in terms of company law in the period between January 1, 2020 and the date of publication of this Semi-Annual Report

Considering the number of its subsidiaries and the company law events affecting them, in this chapter the Company only addresses the major events of its subsidiaries relevant in terms of company law, thus in particular it will not cover decisions regarding changes in personnel, establishments and branches.

As of March 26, 2020, the Company, as the sole member of the Subsidiaries, and, in the case of Tisza BioTerm Kft., the members' meeting, adopted the annual report of the Subsidiaries for 2019, has taken note of the auditor's report and, furthermore, in case of the following Subsidiaries, the Company decided to pay dividend.

Name of subsidiary:	Amount of dividend:
ALTE-A Kft.	HUF 8,560,000
BC-Therm Kft.	HUF 42,762,000
EURO GREEN ENERGY Kft	HUF 250,000,000

On April 30, 2020, the Company, as the sole member of the Subsidiaries, and, in the case of Tisza BioTerm Kft., the members' meeting, appointed the Subsidiaries' auditor (BDO Magyarország Könyvvizsgáló Kft. and UNIKONTO Kft.).

On April 30, 2020, the Company adopted a decision on the reduction of the initial capital of ***BC-Therm Kft***. from HUF 181 million to HUF 98 million, with a view to disinvestment.

2.4.3 Own securities issued by the Company

2.4.3.1 Issuance and cancellation of bills of exchange

In relation to the transaction aimed at acquiring the business share of EURO GREEN ENERGY, SUNTEO Kft. – under an arrangement favorable for the Company – paid part of the purchase price through deferred payment, which did not affect the transfer of EURO GREEN ENERGY's business share to SUNTEO Kft. In order to ensure fulfillment of this payment, the Company issued a bill of exchange in a value of HUF 700 million and delivered it to Raiffeisen Energiaszolgáltató Kft. on May 28, 2019. On January 10, 2020, the Company issued extraordinary information that the purchase price portion secured by the bill of exchange was paid in accordance with the contract, as a result, the transaction was financially closed and the bill of exchange was discharged by the Company.

2.4.3.2 NKP/2029 capital market listing

In January 2020, the Company, in respect of its ALTEO NKP/2029 (ISIN: HU0000359252) bond, concluded a market maker agreement in accordance with the terms and conditions of the Bond Funding for Growth Scheme launched by the Central Bank of Hungary. The bonds were admitted to the regulated market on January 24, 2020.

2.4.3.3 ALTEO 2020/I bond transaction

On January 28, 2020, the Company gave an order to repurchase 100,000 of its own bonds designated as ALTEO 2020/I (ISIN: HU0000357603) at a price corresponding to 103.5000% of the face value (i.e. HUF 10,350 each). No bonds were repurchased on the basis of the offer.

2.4.3.4 Own share transactions

In January 2020 (with a share transfer date of January 31, 2020), the Company distributed 1,878 shares to employees who were eligible under the Company’s recognition plan.

2.4.3.5 Participation in the MNB Bond Scheme

The Company plans to issue additional bonds as part of the Central Bank of Hungary’s Bond Funding for Growth Scheme. The purpose of the bond issue is to finance the strategy aimed at accomplishing a HUF 20 billion investment volume (as announced last year) through a preferential interest bond in the interest of the optimization of cost of capital. The volume of the bond issue planned by the Company is HUF 3 to 4 billion. ALTEO plans to announce debentures with senior rating at the auction, and again plans to offer potential investors the commitments undertaken at last year’s issue. In line with the Company’s plans, the bonds will be issued as early as the first half of the fall.

2.4.3.6 Annual review of the credit rating

Scope Ratings GmbH carried out the annual review of the credit rating of the Company’s bonds issued as part of the Bond Funding for Growth Scheme, as a result of which last year's credit rating was maintained, in other words bond rating was confirmed at BBB-.

2.4.4 Significant assignments

In January 2020, in accordance with its strategy, ALTEO Group as part of its sustainability support services, concluded a services contract for the reconstruction of the waste incineration plant of SARPI

Dorog Kft., worth more than HUF 700 million. Under the contract, the Company is responsible for replacing the afterburner chamber and upgrading the heat recovery boiler to increase efficiency. Construction and installation works will be completed by September 2020.

2.4.5 Capacity-increasing investment

The Company – in line with the new strategy adopted in the fall of 2019 – is looking to expand supply in the domestic balancing energy market. As a first step, in May 2020 3 gas engines – with a total capacity of 9 MW – were put into operation at ALTEO's Tiszaújváros and Győr sites. In the next stage of the development, an additional 3 gas engines with a total electrical capacity of 9 MW will be installed, resulting in a 33% expansion in ALTEO's gas engine energy production capacities by the end of the program and transforming the control center into one of the largest in the country.

2.4.6 Publication of an Integrated Report

The Company published its Integrated Report for 2019 on May 13, 2020.

2.4.7 Changes in senior management positions

Based on the appointment made by CEO Attila László Chikán, as of July 8, 2020 Viktor Varga – former Energy Production Director – continues as Deputy CEO for Energy Production and Services, and from the same day Péter Luczay – former Director for Wholesale and Control Center Management – as Deputy CEO for Production and Risk Management, and from this point onwards are responsible for the operation of their respective areas in these positions. The business environment of ALTEO, classification of risks according to their characteristics

The Company's prospectus, published on December 31, 2019, available at the following link (hereinafter: ”Prospectus”) details and assessed the specific risk factors associated with the ALTEO Group and the securities issued by the Company, as well as the potential risks involved in making an informed investment decision, based on the probability of occurrence of such risks and the anticipated extent of their negative impact. Therefore, this section only describes the risks that have changed since the Prospectus was published.

The Prospectus is available at the following link:
https://www.bet.hu/newkibdata/128341282/ALTEO_nkp2029_prospectus_20191231.pdf

2.4.8 The "Macroeconomic and legal system related risk factors" have been supplemented by the following section

2.4.8.1 Risks related to the spread of COVID-19

The Company published its announcement related to COVID-19 on March 26, 2020, which detailed the measures introduced on account of COVID-19, as well as the expected impact of the virus on ALTEO Group.

The announcement is available at the following link:
https://www.bet.hu/newkibdata/128382033/ALTEO_kozlemeny_20200326.pdf

ALTEO Group maintains that its direct personnel and the workforce of its subcontractors and suppliers involved in each ongoing project may be affected by the spread of the COVID-19 virus and the measures taken or to be taken during the same. Illnesses can have a negative impact on ALTEO Group's work processes, the timing of ongoing projects and may also have detrimental effects on the labor market. The state of danger imposed in Hungary may have a negative impact on the profitability and liquidity on the clients and consumers of ALTEO Group and may also result in the decline of their demand for energy and willingness to invest, which may have a detrimental effect also on ALTEO Group's profit. ALTEO Group's management has taken the necessary measures to address the risks related to the protection of its employees' health and has set up a Pandemic Management Board and adopted a Pandemic Plan. ALTEO Group's management continuously monitors events related to the COVID-19 virus and, if necessary, takes the necessary steps based on these.

Risk level: high

2.4.9 Risks Specific to the Market and the Industry that underwent changes

2.4.9.1 Funding risk

Preparing for and implementing investments and developments in the energy segment are capital-intensive processes requiring substantial funding. Changes in certain factors (including the general economic environment, credit markets, bank interest rates and foreign exchange [FX] rates) may increase the costs of funding, make the accessing and repayment of funding more difficult, cause delays in or even render these outright impossible, including for financing schemes already established at the date of this Semi-Annual Report.

A large part of the ALTEO Group's loans come with variable interest rates and are tied to certain reference interest rates, such as BUBOR or EURIBOR. An unfavorable change in the interest rates could have an adverse effect on the profitability of the ALTEO Group. ALTEO Group enters into interest rate swap (IRS) transactions to mitigate its interest rate exposure in respect of certain major loans. Such transactions are concluded on a discretionary basis, after the due consideration of the respective economic environment and facility-related terms and conditions. These transactions allow for reducing risk, however, the ALTEO Group is not able to completely eliminate negative risks stemming from variable interest rates.

ALTEO's current indebtedness in bonds fully comprises HUF-denominated, zero-coupon or fixed annual interest-bearing bonds.

Risk level: low.

2.4.9.2 Foreign exchange rate changes

A significant part of ALTEO Group's sales revenue is generated in HUF, but there are numerous items on the expenditure side which are not covered with FX-revenue, are to be settled in FX or are subject to foreign exchange rates (including, among others, electricity purchase prices and the price of natural gas procurement). As a consequence, any change in foreign exchange rates that is unfavorable for the ALTEO Group might have a negative effect on the business activity and profitability of the ALTEO Group. ALTEO Group manages this exposure through hedging of the mentioned items, however, even so the resulting risks cannot be completely excluded.

Risk level: low.

2.5 Pending lawsuits:

Sinergy Energiakereskedő Kft.

With regard to the letter of VPP Magyarország Zrt. (registered office: H-1113 Budapest, Bocskai út 134-146. C. ép. 3. em.; company registration number: 01-10-048666), sent to Sinergy Energiakereskedő Kft. in 2018 – the content of which and the response to which by Sinergy Energiakereskedő Kft. are presented in detail in an announcement published on February 14, 2018, at the official disclosure points of the Company – on March 14, 2018, Sinergy Energiakereskedő Kft. requested the Hungarian Intellectual Property Office to establish that the six control procedures it uses in total in the course of operating the control center are not in violation of the patent "Decentralized energy production system, control tool and procedure, controlling the energy production of the system" registered for VPP Magyarország Zrt. as holder under number E031332.

Sinergy Energiakereskedő Kft. initiated the procedures for the so-called negative clearance with the goal to clearly and definitively disprove the infringement assumed by VPP Magyarország Zrt. and presented in the announcement of the Company published on February 14, 2018. The proceedings are still ongoing at the time of publishing this document.

The Group has not identified any situation affecting its statement of financial position with respect to this case.

2.6 Authorization for publication of interim financial reports

This interim financial report was discussed by the Group's management and authorized for publication on August 28, 2020.

3 Statements of the issuer

The Company declares that its ***consolidated*** Interim Financial Reports and Semi-Annual Report ***for H1 2020*** were prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union, based on the Company's best knowledge, providing a true and fair view of the assets, liabilities, financial situation, profit and loss of the Company as an issuer and the companies involved in the consolidation. The Company also declares that its **consolidated** Semi-Annual Report for **H1 2020** provides a true and fair view of the situation, development and performance of the issuer and the companies involved in the consolidation, outlining the risks and uncertainties likely to arise in the remainder of the fiscal year.

The Company declares that the data of this Semi-Annual Report were not audited by an independent auditor.

Budapest, August 31, 2020

On behalf of ALTEO Nyrt.:

Attila László Chikán	**Zoltán Bodnár**
Member of the Board of Directors, CEO	CFO